546-D GA1.13:GGD-86-82FS
NOV 2 3 1987

United States General Accounting Office

GAO

Fact Sheet for Congressional Requesters

COMPLETED 19

June 1986

NORFOLK CUSTOMHOUSE

Information Relating to Customs' Occupancy of the Historic Customhouse

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GAO/GGD-86-82FS

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United States
General Accounting Office
Washington, D.C. 20548

General Government Division
B-223105

June 6, 1986

The Honorable G. William Whitehurst
House of Representatives

The Honorable John Warner
United States Senate

In April 1985, you requested an analysis of various alternatives proposed by the General Services Administration (GSA) for housing Customs Service operations in Norfolk, Virginia. As you know, these housing alternatives were developed as part of GSA's 1984 evaluation of whether or not the historic Norfolk Customhouse should be retained by the government. In July 1985, we provided a briefing on the cost, benefits, and limitations of each housing alternative, as well as our observations relating to the condition of the historic Norfolk Customhouse. At that time, GSA planned to relocate Customs' Norfolk operations into leased commercial space and to dispose of the Customhouse.

GSA's 1984 relocation and disposal plan enhanced ongoing city efforts to redevelop Norfolk's downtown area. The relocation and disposal, however, did not occur. In June 1985, the Commissioner of Customs informed GSA of Customs' continued interest in remaining at and reinstating a presence in historic Customhouses. Subsequently, in October 1985, GSA and Customs reached an agreement to retain and upgrade the Norfolk Customhouse.

In January and February 1986, you requested an indepth review of the October 1985 agreement that reversed GSA's 1984 study recommendation to dispose of the Customhouse. In discussions with your staffs, we agreed to provide you with information on (1) GSA's 1984 study, (2) the agreement between GSA and Customs to retain the Customhouse, (3) GSA's plans for renovating the Customhouse, and (4) the availability of alternative office space. This information is detailed in appendix I.

In gathering this information, we met with Customs officials at their Norfolk and headquarters offices. We also met with GSA regional and headquarter officials and reviewed pertinent documentation at both agencies.

The October 1985 agreement between Customs and GSA appears to finalize years of uncertainty regarding Customs' continued occupancy of the Customhouse. According to GSA, the renovation necessary for the long-term occupancy of the Customhouse will cost about $3.1 million. GSA has neither finalized detailed renovation plans nor budgeted for the total renovation because two studies, required before renovation of historic properties, have not been completed. The first of the two studies--a historic structures report--is underway and should be completed in July 1986. The second study, to design renovation plans necessary to accomplish the renovation, cannot begin until the first study is completed.

As arranged with Congressman Whitehurst's office, we do not plan further distribution of this fact sheet until 30 days from the date of the report unless you publicly announce its contents earlier. At that time we will make copies available to Customs, GSA, and other interested parties who request them. If you have any questions regarding the contents of this document, please call Mr. James Burow on (202) 566-8537.

Arnold P. Jones
Senior Associate Director

INFORMATION RELATING TO THE CONTINUED OCCUPANCY OF THE NORFOLK CUSTOMHOUSE

The U.S. Customs Service's continued occupancy of the historic Norfolk Customhouse has been an issue for more than a decade because of uncertainty about whether Customs should continue occupying the historic building. Through the years, district and regional level Customs officials sought to vacate the Norfolk Customhouse based on their assessment that the space did not meet operational requirements. Relocation, while attempted, did not occur because it conflicts with Customs' policy to retain historic Customhouses whenever practicable. Uncertainty about Customs' housing plans in Norfolk in conjunction with GSA's concern about the costs associated with the building's repair and alteration caused GSA to defer repair and alteration projects, contributing to the building's deterioration.

In recent years, local government officials expressed their desire to obtain and improve the Customhouse as part of the city's overall redevelopment of the downtown area. The Customhouse is 127 years old and is considered of interest both architecturally and historically. This, together with the Customhouse's prime downtown location, makes it the focal point of extensive waterfront redevelopment efforts in the building's vicinity.

In the most recent decision on the issue--October 18, 1985--GSA decided to retain and upgrade the Norfolk Customhouse, reversing a 1984 decision to dispose of the building and to relocate Custom's Norfolk operations into leased commercial space. This decision occurred after the Commissioner of Customs reemphasized Customs' long-standing policy to stay in its historic Customhouses. GSA plans to begin upgrading the building's electrical system in fiscal year 1987, but, other renovation plans have not been finalized.

CUSTOMS' POLICY RELATING TO THE RETENTION OF CUSTOMHOUSES

Since November 25, 1975, Customs' policy has been to locate its activities in Customhouses whenever practicable. The Customs' directive that discusses this policy emphasizes that, while past relocation decisions may have appeared to be best from an economy and efficiency standpoint, continued occupancy of Customhouses, especially those designated as historic structures, deserves special emphasis in view of

historic considerations. The directive further states that every effort should be made to re-occupy previously vacated Customhouses even if the building cannot accommodate the agency's total space needs. The Commissioner sought to assure policy compliance by requiring that "no action to relocate from an existing Customhouse shall be taken without prior approval of the Assistant Commissioner for Administration."

In keeping with Customs' 1975 policy, headquarters officials have not approved numerous, permanent relocations sought by regional and district level officials over the years. While headquarters officials frequently agreed that the facilities were inadequate for Customs' use, these officials continually emphasized Customs' policy to retain and upgrade them to acceptable standards.

Customs' occupancy policy was reemphasized in mid-1985 when the Commissioner became aware of several Customhouses (Norfolk, Boston, and Bowling Green, New York) facing uncertain futures. On June 6, 1985, the Commissioner of Customs wrote GSA's Acting Administrator to inform GSA of Customs' continued interest in remaining at and reinstating its presence in historic Customhouses. The Commissioner recognized that older buildings present a significant challenge to facilities management, with their inefficient use of space and their inadequate electrical, plumbing, air conditioning and heating systems and that millions of dollars are required to properly restore the physical plants to present safety codes. He noted, however, that the vanishing architectural style represented by Customhouses could not be replaced at any cost. Moreover, he said Customhouses serve as a visual reminder of the important role that Customs has filled for the past 200 years.

HISTORY OF ACTIONS RELATING TO THE OCCUPANCY OF THE NORFOLK CUSTOMHOUSE

The historic Norfolk Customhouse was initially scheduled for disposal in 1974 after the anticipated completion of a new federal building in 1978. At that time, Customs planned to relocate the Norfolk office into a new Norfolk federal building because it needed additional office space. In April of 1977, however, Customs advised GSA that it planned to remain in the Customhouse rather than relocate to the new building as previously planned. This change prompted GSA to initiate an evaluation of the feasibility of renovating the historic structure.

Completed in January 1978, GSA's evaluation identified three levels of renovation effort. While the alternative selected was not the most expensive identified, the project's estimated cost of $2,325,000 was disallowed by GSA's Central Office as being excessive and unwarranted. A subsequent effort by GSA's regional office to scale down the project--from $2.3 to $1.7 million--was also disallowed by GSA's Central Office.

In June of 1979, GSA informed Customs of its decision to relocate Norfolk's operations and to dispose of the Customhouse because renovation efforts were too expensive and would not meet Norfolk's space requirements. Shortly thereafter, in October 1979, Customs requested that GSA reconsider the planned disposal in view of the Customs Service's agencywide policy for continued occupancy of historic Customhouses.

In June and July 1980, Customs requested GSA to relocate all of Norfolk's operations to leased space until such time as the Customhouse was renovated and upgraded to meet safety and operational requirements. This request initiated another feasibility study which was completed in 1981. GSA's Regional Administrator approved the study in June 1981 with the recommendation to retain the building and to pursue limited renovation--estimated at $590,000 over several fiscal years. In announcing its decision to retain and upgrade the Norfolk Customhouse, GSA stated that the current plan, unlike previous proposals, was cost-effective and compared favorably to other available alternatives--including disposal. GSA also noted its policy of retaining historic buildings so long as they can be effectively and efficiently maintained and can provide acceptable federal agency space.

The renovation, however, was not done. In the period between 1981 and 1984, Customs proposed several reorganizations of Norfolk's operations. Uncertainty about Customs' intentions for remaining in the building caused GSA to defer repair and alteration projects. Moreover, in 1983, Customs' regional office informed GSA that Customs' policy on occupying Customhouses was no longer in effect and stated that it wanted to expand and consolidate operations in Norfolk.

Based on Customs' revised requirements, GSA initiated another feasibility study which, completed in September 1984, identified five alternatives for the renovation or the disposal of the Norfolk Customhouse. The alternatives ranged from occupying the Customhouse and performing limited repair and alteration work--estimated at a total cost of approximately $2.5 million--to vacating and disposing of the Customhouse and leasing commercial space at $21 per square foot--estimated at a total cost of about $4.6 million.

GSA's 1984 study stated that the Customhouse had been neglected for many years and was rapidly deteriorating because of (1) the Customs Service's indecision about its occupancy plans and requirements at Norfolk and (2) GSA's deferral of necessary building upgrades, in part, because of that indecision. The study further noted that only a complete renovation would restore the building to its past grandeur and create first class office space.

While not identified as the least costly alternative available, GSA recommended disposing of the Customhouse and relocating Custom's Norfolk operations to leased commercial space. GSA chose this alternative because it was the least expensive alternative capable of fulfilling Customs' expansion and consolidation requirements and because the Customhouse was too deteriorated to be considered for occupancy by another federal agency.

As a result of the disposal decision, GSA initiated action to relocate Customs' operations in October 1984. Relocation, however, did not occur. In June 1985, the Commissioner of Customs informed GSA of Customs' continued interest in remaining in historic Customhouses--citing Customs' long-standing policy to retain occupancy at Customhouses wherever practical. The Commissioner's letter, together with a joint high-level meeting held to discuss Customs' desire to remain in Customhouses nationwide, prompted GSA's re-evaluation of the Norfolk plans--resulting in GSA reversing the 1984 recommendation and committing to upgrade the Customhouse.

On October 18, 1985, GSA's Public Buildings Service Commissioner notified GSA's Region III of its intention to retain and upgrade the Norfolk Customhouse based on a headquarters-level review of available housing alternatives. Subsequent correspondence on the matter indicates that the decision to retain the Customhouse was based on a joint review of Customhouses nationwide. Moreover, GSA's re-evaluation of the Norfolk Customhouse issue indicates that the reversal was prompted by Customs' desire to remain in the Norfolk Customhouse despite the fact that the facility cannot accommodate Customs' space requirements identified in 1983.

CURRENT PLANS TO REPAIR AND RENOVATE THE CUSTOMHOUSE

According to GSA, both limited repairs and major renovation work are necessary to accomplish short- and long-term occupancy needs. Limited repair work includes urgent work items necessary

for short-term building occupancy such as performing neglected maintenance, upgrading the building's electrical system, and limited upgrading of the quality of the workspace. According to GSA's evaluation, major systems replacement, including installing a central heating and air conditioning system, replacing the plumbing, upgrading the electrical system, and historical renovation are required for long-term occupancy.

GSA was not able to program money towards major repairs in fiscal year 1986 because the budget cycle had already passed when the retention decision was made. However, in addition to the routine building repairs GSA continuously performs, GSA plans to spend $300,000 in fiscal year 1987 for upgrades to the building's electrical system.

Plans for the long-term renovation work have not yet been finalized because prerequisite planning efforts, including the required historic structure report, have not been completed. The historic structure report identifies building features which must remain intact because they are historically or architecturally significant. GSA recently contracted out this work to an architectural-engineering firm in the Norfolk area and expects the study to be completed by the end of July 1986.

After completion of the report, another study will be undertaken either by GSA or an outside contractor to develop approaches to accomplish compliance with fire/life safety and handicapped access standards while renovating the building and without harming the building's historically significant features. This study will form the basis for future, long-term renovation efforts, estimated at $3.1 million. Time frames related to this planning effort are not yet known and GSA has not yet sought budget approval for this project.

ALTERNATIVE OFFICE SPACE FOR HOUSING CUSTOMS' NORFOLK OPERATIONS

While GSA acknowledges that commercial space probably exists in the Norfolk area to house Customs' operations, GSA has not conducted a recent market survey to identify available space. GSA cannot initiate leasing actions until all federal space is fully utilized. Since Customs' position is that the Customhouse meets its needs in Norfolk, GSA will not initiate a space survey or perform other leasing actions until federal space no longer exists.

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